



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 13, 2000

### **H.R. 3673**

### **United States-Panama Partnership Act of 2000**

*As ordered reported by the House Committee on International Relations  
on June 29, 2000*

#### **SUMMARY**

H.R. 3673 would authorize certain financial benefits for Panama upon the certification by the President that the governments of the United States and Panama have reached an agreement that would permit the United States to maintain a presence at certain facilities in Panama for a period of at least 15 years. The benefits would include preferential tariff treatment for certain Panamanian imports, which would reduce governmental receipts by \$1 million to \$2 million a year, up to \$2 million in scholarships for Panamanian students, and two small grants. No negotiations for U.S. access to Panamanian facilities are currently underway. CBO does not expect an agreement in the next five years, and we therefore estimate that the bill would have no cost during that period. CBO has no basis for estimating when or if an agreement might occur after then. Because the bill could affect governmental receipts, the bill would be subject to pay-as-you-go procedures.

H.R. 3673 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

According to information from the State Department, no negotiations between Panama and the United States are underway and none are likely in the near future. Therefore, CBO estimates that the bill would have no budgetary impact over the 2000-2005 period. If the bill were enacted and if Panama would agree to a U.S. presence, then the bill could affect both receipts and spending subject to appropriation.

## **Revenues**

H.R. 3673 would provide trade preferences for certain imports from Panama, including textiles, apparel, luggage and handbags, certain leather goods, footwear, tuna, petroleum, watches, and watch parts. Most of the provisions in the bill affecting customs receipts were enacted in the Trade and Development Act of 2000 (Public Law 106-200).

One major exception is a provision that would offer “in-preference-level tariff treatment” to certain textile and apparel articles that do not originate in Panama. The tariff treatment accorded to those goods would be equivalent to the tariff treatment of similar goods from Mexico. Imports of textile and apparel goods under this provision would be limited to approximately 11 million square meter equivalents in a calendar year. Based on recent data on import collections, CBO estimates that if this provision were to take effect, governmental receipts would be reduced by approximately \$1 million a year through 2008, while the provisions of Public Law 106-200 are in effect. After 2008, when Public Law 106-200 expires, the potential cost of the bill would rise to \$2 million a year.

## **Spending Subject to Appropriation**

For each year an agreement is in force, H.R. 3673 would authorize up to \$2 million for scholarships for Panamanian students. Thus, spending for scholarships would increase by that amount, assuming the appropriation of the authorized amounts.

The bill also would direct the Trade and Development Agency (TDA) to consider making grants for the planning of a new bridge across the Panama Canal and for a sewage-treatment plant in Panama City. TDA has already extended a grant to study the feasibility of a second canal bridge and is considering extending grants for water and sewage projects in Panama using available resources. CBO therefore estimates that H.R. 3673 would not affect spending by TDA.

The bill would require several reports, including one on the extent to which Panama complies with U.S. trade laws. CBO estimates that the costs of preparing those reports would be insignificant.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. While H.R. 3673 could affect receipts, CBO does not anticipate any loss of receipts over the 2000-2005 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3673 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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